

SENATE BILL REPORT

SB 6102

As of January 28, 2014

Title: An act relating to transferring certain state sales and use taxes collected on state highway projects to the connecting Washington account.

Brief Description: Transferring certain state sales and use taxes collected on state highway projects to the connecting Washington account.

Sponsors: Senators King and Hill.

Brief History:

Committee Activity: Ways & Means: 1/27/14.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value of property, digital product, or service when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.1 percent, depending on the location.

The state must pay sales tax to contractors on transportation projects. This includes costs for both labor and materials. The contractor then remits the sales tax back to the state and the state's portion of the tax is deposited into the general fund.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed Substitute): Until June 30, 2017, an amount equivalent to the amount of state sales tax paid on state highway projects funded from the connecting Washington account must be transferred from the state general fund to the connecting Washington account. Starting July 1, 2017, and thereafter, an amount equivalent to the amount of state sales tax paid on all state highway projects must be transferred from the state general fund to the connecting Washington account.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Each quarter the Department of Transportation must submit a report to the Department of Revenue (DOR) notifying them of the state sales tax paid on the applicable projects from the previous quarter. DOR must notify the treasurer of the amount of the transfer by the last working day of each calendar quarter.

The connecting Washington account is created. Expenditures from the account must be used only for projects or improvements identified as connecting Washington projects or improvements in a transportation appropriations act.

Appropriation: None.

Fiscal Note: Requested on January 16, 2014.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: The general public thinks all the money goes into transportation as a result of the 18th amendment. Currently we transfer about 8 percent back to the general fund. If there is no package, there is no worry about loss of funds to the general fund. If there is a transportation package, one of the ways we are funding projects is through a project's economic impact. One project will spur another \$900 million project which will bring about \$60 million back to the general fund. The single issue raised most by the public is the fact that we charge ourselves sales tax on highway construction.

CON: One of our concerns is that by 2018, education is supposed to be fully funded. Right now we lack a plan to get there. We understand the nexus of this bill, but sales taxes are meant to maintain the general fund, and the more we designate funds the less flexibility there is. When you silo funding, you silo solutions to some of our biggest issues. In the absence of the will of the Legislature to overhaul our tax system, it does not make sense to take money from general government for transportation. It should be funded through gas taxes. We cannot be diverting funds from the general fund when we have so many urgent needs.

OTHER: The state could direct the sales tax money from the 520 bridge back to compensate for cost overruns. Transportation taxes should pay for transportation, the way they were intended.

Persons Testifying: PRO: Senator King, prime sponsor; Michael Ennis, Assn. of WA Business.

CON: Nick Federici, Our Economic Future Coalition; Shawn Lewis, WA Education Assn.; Steve Segall, WFSE Local 443; Melanie Smith, Wellspring Family Services; Lindsey Grad, Service Employees International Union Healthcare 1199NW; Alex Hur, Statewide Poverty Action Network.

OTHER: Bob Pishue, WA Policy Center.